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TO RUEHC/SECSTATE WASHDC IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 000243

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E.O. 12958: DECL: 01/24/2017

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SUBJECT: DEPSEC KIMMITT VISIT: MEETING WITH FERRERO-WALDNER
ON IRAN AND IRAQ COMPACT

Classified By: POLMINCOUNS LAURENCE WOHLERS FOR REASONS 1.5 (D) AND (E)

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SUMMARY

1.(C) On January 22, Deputy Secretary of the Treasury Robert Kimmitt and Ambassador Gray discussed Iran sanctions and the Iraq Compact with EU Commissioner for External Relations Benita Ferrero-Waldner. Kimmitt underscored U.S. expectations that the EU would put in place quickly binding EU legislation which would allow member states to fully implement UNSC sanctions against Iran. The EU had still not yet done so in the case of similar UNSC sanctions against North Korea. With the EU Foreign Ministers (GAERC) January 22 political guidance now in hand (septel), Ferrero-Waldner explained that DG Relex would propose a set of implementing regulations to the 27 member states in early February. While confident that EU FMs would adopt a common position on the implementing regulations at the February 12 GAERC, Ferrero-Waldner insisted that they would not "go beyond" what was in the resolution. Pressed by the Depsec on designation of financial entities, she advised the U.S. to engage the German Presidency and the member states. Kimmitt outlined a notional political calendar for completion of the Iraq Compact, noting that the new UNSYG was approached about wrapping up the process by the end of March. Ferrero-Waldner reiterated EU support for Iraq reconstruction and expressed her personal interest in participating in a final Compact planning meeting. Finally, the two compared notes briefly on the Transatlantic Economic Partnership concept. END SUMMARY

2.(U) In a cordial and business-like thirty minute meeting January 22, Deputy Secretary of the Treasury Robert Kimmitt, accompanied by USEU Ambassador Gray, USEU Treasury attache and USEU poloff (notetaker) met with European Union Commissioner for External Relations Benita Ferrero-Waldner to discuss implementation of Iran sanctions and completion of the Iraq Compact. The Commissioner was joined by Cabinet staffers Belen Martinez Carbonell and Hubert Gambs, Head of Unit for Gulf Countries, Iraq, Iran and Yemen Patricia Llombart Cussac, Deputy Head of Unit for Gulf Countries, Iraq, Iran and Yemen, and Albertus Straver, desk officer for Iran.

Iraq Compact - Completion Endgame

¶3. (C) Depsec Kimmitt expressed appreciation for Ferrero-Waldner's personal efforts to sustain the EU's assistance budget for Iraq. He noted that the Administration would propose a significant increase in U.S. Iraq-related spending during the first week of February. The Deputy

Secretary and Commissioner agreed that Iraq-led political

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reconciliation and security efforts were critical to internationally-supported reconstruction efforts. In this regard, Kimmitt pointed out the importance of the passage of new hydrocarbon law in Iraq, which would give Sunnis new and significant access to oil revenue-sharing.

4.(C) Depsec Kimmitt noted that the new UNSYG Ban Ki-Moon had made completion of the Iraq Compact an immediate priority objective. He relayed the USG's suggestion that the SYG convene the Compact Preparatory Group (PG) plus Permreps from non-PG countries in New York in February with a view toward holding a signing conference in March. Ferrero-Waldner welcomed this news, as she had not heard from the UN on the Compact since the November 2006 meeting of the PG. She expressed interest in attending a February PG if it coincided with her travel to the U.S. for the next Quartet meeting.

Iran Sanctions - EU Next Steps

¶5. (C) Turning to Iran, Depsec Kimmitt praised the January 22 GAERC conclusions on Iran as "quite an important statement," Especially the section calling for a "ban on transactions with and freeze the assets of individuals and entities covered by the criteria in UNSCR 1737." Ferrero-Waldner said that the EU 27 Member States had had difficult discussions on the Iran in the week leading up to the consensus reached at the GAERC early in the day. The end result was an EU consensus that the UNSCR 1737 must be implemented as well as a political framework for the European Commission to undertake the drafting of the required implementing regulations. DG Relex hoped to circulate its draft legislative proposal to the member states for consideration in early February. The final text would then be submitted through the COREPER (EU Permreps) to the EU FMs for final approval at the February 21 GAERC.

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¶6. (C) Depsec Kimmitt stressed the importance of putting into place quickly the necessary authorities for member states to take action. Unlike sanctions of the last thirty years which were intended to change national behavior broadly, the new sanctions were designed to be conduct-specific, fact-based, and targeted. The United States was disappointed that the EU had not yet created the legislative framework required for member states to implement UNSCR 1695 on North Korea. The situations with North Korea and Iran proliferation financing activity were not dissimilar. In fact, there was a deepening nexus of cooperation between the two proliferators in this regard. Ferrero-Waldner expressed confidence that a common EU policy would be reached, but doubted it would fully mirror that of the USG; "it was important to implement what is in the resolution (1737), and not go beyond it." Kimmitt warned the EU against indulging itself in an overly technical interpretation of UNSCR 1737 as the Russians had done in the endgame of the UNSC negotiations in order to dilute the impact of the resolution at the 11th hour. Ferrero-Waldner remarked that the US should speak to the German Presidency and the member states about this, since they would have to reach consensus on whatever proposal the Commission drafted. (See septel of more positive discussion of this point with Common Foreign and Security Policy High Representative Javier Solana.)

Transatlantic Economic Partnership - Whose Ideas?

¶7. (SBU) Depsec Kimmitt stated that the U.S. supported German Chancellor Angela Merkel's proposal for a Transatlantic Economic Partnership. Ferrero-Waldner wryly noted that she had put forward ideas on this concept in 2005, but the U.S. had responded with little enthusiasm then. In any case, she urged the USG to take a second look at some of those earlier ideas in the context of Merkel's new proposals. Kimmitt

suggested that the U.S. and EU should continue using mechanisms that are already working well even as we look at new ideas in the Merkel initiative that could broaden cooperation in the regulatory arena.

¶8. (U) This cable has been cleared by Deputy Secretary Kimmitt.

GRAY

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